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2/2/74



The President's Daily Brief

January 31, 1974

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Exempt from general
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exemption category 5B(1)(2)(3)
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THE PRESIDENT'S DAILY BRIEF

January 31, 1974

PRINCIPAL DEVELOPMENTS

An item on South Vietnam and the Spratly Islands appears on *Page 1*.

A new COSVN resolution tells Communist cadres in South Vietnam that a large-scale offensive will not be feasible for some time and that political tactics against the Saigon regime should be emphasized.. (*Page 2*)

President Asad may name a new cabinet soon in an effort to generate wider support for Syria's eventual attendance at the Geneva peace conference. (*Page 3*)

Iraq apparently is moving troops and heavy military equipment back into Syria. (*Page 4*)

Libya

(*Page 5*)

Egypt

25X1

Moscow and Peking are trying to maintain a degree of normalcy in their state relations. (*Page 6*)

The dollar, which had appreciated after the float of the French franc, is now weakening in most European markets as other currencies rise. (*Page 7*)

Japanese power companies have signed a ten-year agreement to purchase uranium enrichment services from a French-led European consortium. (*Page 8*)

The West Indies island of Grenada, which is scheduled to receive independence from Britain on February 7, is on the brink of civil war. (*Page 9*)

FOR THE PRESIDENT ONLY

SOUTH VIETNAM - SPRATLY ISLANDS

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[REDACTED]

A press report yesterday from Saigon, citing "military sources," stated that a force of three ships and 200 troops will register a "symbolic claim" to the islands, suggesting that the Vietnamese may stop short of permanent occupation.

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The landings, scheduled to begin on January 31, could lead to another clash with the Chinese Communists, although Peking would be far more reluctant to mount military operations in the Spratlys than in the Paracels. Ambassador Martin is trying to get the Vietnamese plans canceled.

Saigon's plans probably represent an effort to regain face after losing the Paracels. A ministerial decree of last September incorporated several islands in the Spratly chain--located in the South China Sea about 300 miles from Saigon and about 450 south of the Paracels--into the local administration of South Vietnam's Phuoc Tuy Province. Shortly thereafter, Saigon sent a naval expedition to the Spratlys to station a 64-man force on one island and plant markers on the other islands claimed.

Unlike the Paracels, Peking's claim to the Spratlys has not been reinforced by any permanent presence. To counter Saigon's move militarily, Peking would have to move naval units into the area and would have to operate beyond the range of its fighter aircraft and at the outer range of its tactical bombers.

There is also a possibility of a confrontation with two other claimants to the Spratlys--Nationalist China, which has had a garrison of a few hundred on one of the Spratlys since the mid-1950s, and the Philippines, which has at least 200 men on two or three other islands. According to the Saigon press report, the Vietnamese troops are under orders to avoid a fight with Chinese Nationalist forces. This injunction presumably applies to Filipino forces as well, although the Philippine-occupied islands are among those marked for landings in Saigon's operation.

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

A new COSVN resolution tells Communist cadres in South Vietnam that a large-scale offensive will not be feasible for some time to come [redacted]. The high-level instructions, known as COSVN Resolution 12, concede that the South Vietnamese Government is too strong and Communist forces too weak for a Communist military victory. Communist forces are to remain vigilant, defend "liberated areas," and concentrate on rebuilding and retraining. Only if Saigon's forces encroach extensively on Communist territory will full-scale conflict erupt; this is the "least desirable" of many possibilities.

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Politically, the new resolution calls on the Viet Cong to spruce up their political apparatus, improve life in the liberated areas, organize pressure groups to participate in popular protests against the government, and increase efforts to force Saigon's compliance with the political provisions of the cease-fire agreement. New diplomatic initiatives, including changing the name of the Provisional Revolutionary Government to a "people's republic" and trying to gain wider recognition for it from foreign countries, will be coupled with these local efforts.

This is the first indication that COSVN has issued a resolution to southern forces based on the results of the 21st Central Committee plenum, but one has been expected. Its contents, [redacted] are in line with indications from other sources that the Communists are not planning large-scale warfare in the South anytime soon.

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The main purpose of the resolution, other than to outline the specific guidelines of the new strategy, is to make clear to cadre that patience is the order of the day. Cadre are to remember that the party knows best and to recognize that it will be a long and difficult struggle to achieve final victory. According to the source, a "revolutionary victory" is not anticipated until sometime between 1979 and 1984.

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SYRIA

President Asad may name a new cabinet soon in an effort to generate wider support for Syria's eventual attendance at the Geneva peace conference. The Italian ambassador in Damascus told a US official he had learned that Asad plans to announce a cabinet reshuffle and to obtain approval for Syria's participation in the peace talks at a congress of the National Progressive Front which he intends to call shortly. The front is an organization that includes all of Syria's major political parties.

Syria's minimum conditions for participating in the Geneva conference are still unclear. Asad will probably not commit Syria to attend the talks until a Syrian-Israeli disengagement agreement has been worked out and the related Israeli POW issue has been resolved.

At various times, the Syrians have called for the return of Syrian refugees to areas occupied by the Israelis during the October fighting in exchange for a list of Israeli POWs. At other times, the Syrians have taken a much tougher position, insisting that before they will deliver a POW list, Tel Aviv must agree in principle to negotiate a total withdrawal from the Golan Heights.

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IRAQ-SYRIA

Baghdad apparently is moving troops and heavy military equipment back into Syria. [REDACTED]

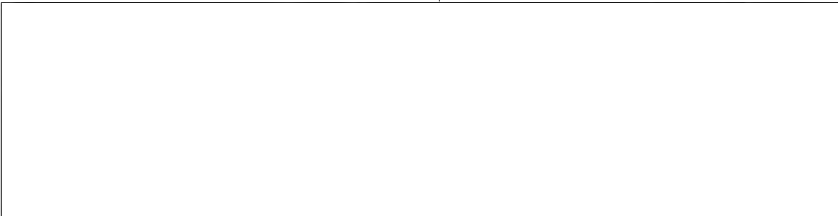
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[REDACTED] Iraqi ammunition convoys have crossed into Syria over the last few days.

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[REDACTED] Iraqi troops, tanks, armored vehicles, and artillery are also moving into Syria.

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During the war, Iraq sent two armored divisions and two infantry brigades to the Syrian front. These forces went home after the cease-fire.

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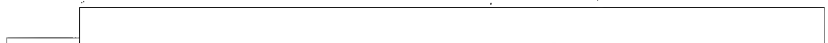

EGYPT-LIBYA



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The Libyan Government sent at least one Mirage squadron of some 18 to 24 aircraft to Egypt last spring and ten more Mirages after the outbreak of the Middle East war in October. The Mirages saw some action during the war, and five may have been lost in combat.


 All of the Mirages in Egypt apparently were piloted by Egyptians.

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USSR-CHINA

Despite the rancor caused by Peking's recent ouster of a few Soviet diplomats, both sides are trying to maintain some degree of normalcy in their state relations.

Yesterday, Peking quietly inaugurated direct air service to Moscow. In the past, the Chinese had been able to fly only as far as Irkutsk. Under an agreement signed in Moscow last July, they will now make weekly flights between Moscow and Peking. Since the agreement was signed, the two sides have been clearing up technical problems like the use of flight corridors and ground station service.

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The Soviets meanwhile continue to give relatively low-key treatment to the alleged spying incident.

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar, which had appreciated after the float of the French franc, is now weakening in most European markets, as other currencies rise. Only the franc and the lira remain below their January 18 levels.

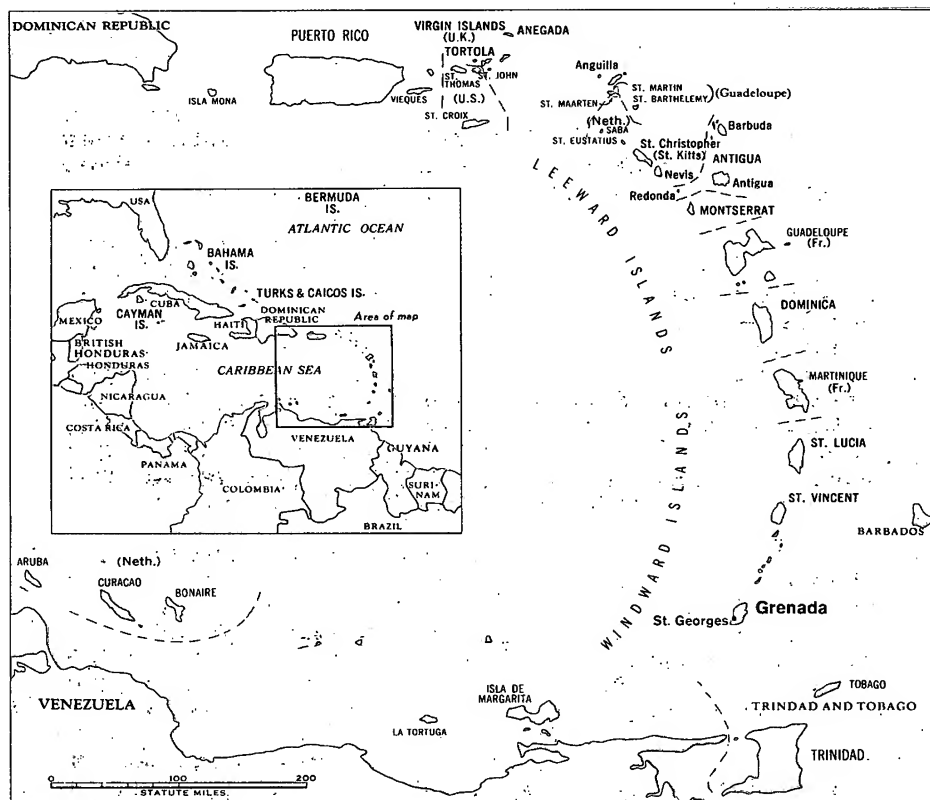
Sterling has rallied--reaching its highest point since January 4--primarily because of high domestic interest rates rather than any significant improvement in Britain's economic outlook. The easing of capital controls in West Germany, Belgium, and the US has had the effect of reversing the dollar's rise. Luxembourg also has eased controls, and other European countries are likely to follow suit. The market reaction has probably been excessive, however, since underlying economic conditions should contribute to the dollar's long-term strength.

In Tokyo, the dollar also drifted downward, allowing the central bank to remain out of the market for the fourth consecutive day--the longest respite since last July. Disciplinary action against three of Japan's biggest banks last week for speculating against the yen helped to ease the situation. Hints of oil price cuts, a slightly more optimistic outlook for the Japanese economy, and the removal of US restraints on capital outflows have also played a role.

JAPAN

Japanese power companies have signed a ten-year agreement to purchase uranium enrichment services from a French-led European consortium, EURODIF, starting in 1980. The agreement calls for an annual supply of enriched fuel equivalent to 25 percent of Japan's projected demand in 1980. The price is about one-third higher than Japan pays for US services, but EURODIF's repayment terms and conditions are more favorable.

The Japanese have been anxious to reduce their complete dependence on the US for enrichment services. Over the past several months, they have talked with the Soviets as well as with EURODIF and another European consortium about supplying enriched uranium. The agreement with EURODIF will be particularly welcome to Japanese industrialists, who have been concerned about the ability of the US to meet worldwide demand in the mid-1980s. Tokyo is considering accelerating construction of nuclear power facilities.



GRENADA

The West Indies island of Grenada, which is scheduled to achieve independence from Britain on February 7, is on the brink of civil war. Premier Gairy and his supporters are attempting to suppress a coalition of opponents who fear that, after independence, his government will be even more authoritarian than it is now and unable to keep the island on its feet economically. If the situation gets worse, independence may be postponed.

A general strike is now in its fourth week, primarily because Gairy has refused to make any concessions whatever--even in response to relatively moderate appeals for conciliatory moves by the government. Since he has also resisted their demand that he abolish the secret police, the moderates have now joined radical elements in demanding that Gairy resign.

The strike is supported by most of the urban workers and middle class. It has paralyzed and isolated the island. Dockworkers in Barbados and Trinidad-Tobago have refused to handle Grenada-bound cargo, and fuel and food supplies are nearly exhausted. Looting, much of it done by the secret police to punish merchants who support the strike, has been widespread in the capital and in two other principal towns. About 200 US citizens live in Grenada, but they are apparently in no immediate danger. There are few, if any, US tourists on the island.

While the British are not as yet planning to postpone independence, they have canceled plans to send a member of the royal family to Grenada to mark the occasion.

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